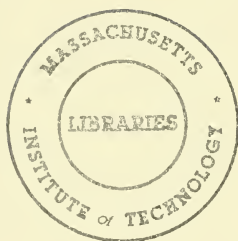
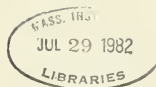


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ALFRED P. SLOAN SCHOOL OF MANAGEMENT

MANAGING GENERAL MANAGERS:
POLAND AND U.S.A.

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March 1982

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1. Frame of reference

The traditional approach to socialist economy defines management system as a set of principles and tools applied by central economic authorities in order to evoke required decisions and actions of economic units (established by these authorities). In such an approach attention is focused on those elements of management processes which have been established, or at least approved, by the central authorities. Let us call them the formal management system.

Knowledge of the formal system is not sufficient, however, either for explaining mechanisms that govern the economy or for changing them. Actual management processes are not confined to what is described within a formal system. There are many informal ways of influencing companies' performance and even the formal, economic instruments often change their direction when practically applied. For example, formal statutory bonuses are not the only rewards that a successful manager can expect, and profitability of a company must be sometimes sacrificed in order to fulfill the local community demands.

Some of the authors interested in management problems attempt to resolve this trouble by introducing a notion of "informal management system". Easily justified on the theoretical level, such a solution seems highly unsatisfactory on an operational level. It assumes some dualism of reality, which seems to be composed of two separate even if interacting parts. Such an approach is not really useful. We can distinguish the formal management system as written down in a set of principles, but the actual management

processes are composed of formal and informal elements, closely knitted into a system, equipped in a logic of its own. To describe and understand this system, it is not enough to study the management processes only through a formally designed set of rules. The psychosocial aspects of those processes are as important as economic and organizational ones.

There are many studies focusing on psychosocial aspects of management. However, most of them seem to fall into two categories. One is limited to an individual level of analysis. Such studies usually describe ways in which managers perform their jobs, i.e. how they manage human, material and financial resources, how they cope with uncertainty, how they make decisions etc.¹ They cover a broad scope of managerial positions -- from foremen to corporate officers -- but their interest in processes is very limited, due to the concentration on individuals.

The other category focuses on managing processes going on inside profit-centers. The point of interest is how managers or middle-level managers manage their appropriate units. Many of them assume that managers are able to contact their subordinates on a face-to-face basis in their everyday routine and that they are able to reach immediate insight into how an organization as a whole is doing at any given moment. Quite often they are normative in character, offering managers various solutions of how to deal with people, how to improve their decision-making, how to introduce new technologies. Peter Drucker's works seem to be good examples of that approach.

Yet there seems to be another field, that is not completely covered by any of the three approaches mentioned above. It would consist of combining an economic with a psychosocial approach, be process- rather than individual-oriented and apply to management processes taking place at the top level of organizational hierarchy. These are processes by which central economic authorities manage general managers of Polish companies and corporate headquarters manages general managers in U.S. big corporations.

A justification for combining economic and psychosocial approaches is quite obvious: theoretical, highly quantitative economic models do not explain all the processes taking place in economic reality. As long as we are not able to exchange all managing staff for computers, it is safer to treat management influences as addressed to human beings. Consequently, I propose to define all the management processes as a special case of social influence.

As far as process-oriented versus individual-oriented approaches are concerned, I simply think they should be complementary and there is no reason to opt for one of them at the expense of another. One should not, however, forget that managers are as diversified as any other professional group and there are very few individual characteristics that could be seen as common to them all and therefore taken seriously into account in attempts to design an effective management system.

Is there anything specific to management processes taking place at the top of large organizations, both in a centrally steered economy and in big corporations? I believe so. The scope

of responsibility and autonomy given to general managers is much bigger than that to any other managerial level. GMs are supposed to set goals for their businesses, even if they do so within a more general policy established by headquarters. Being that autonomous, they still have to be managed from above. Headquarters, or the general office, has to influence, control and motivate them. Which leads to a second specification: relative indirectness of influences characterizing the general office (headquarters) -- general managers relationship, as opposed to a relatively direct influence within a division or a small firm. This is often magnified by geographical distance: can one afford to call general managers several times a week to offer them an immediate feedback as foremen may do with their workers? Financial costs may be less important here than psychological ones. Long-distance telephone calls are rather cheap in the U.S., but continuous long-distance calls from President to a General Manager could be interpreted as questioning the authority of the General Manager.

What is probably most significant, it is not indirectness of interpersonal influence (corporate officers might, if they are willing to, maintain face-to-face contacts with GMs), but indirectness of influencing the work-flow as such. If GMs are to run their businesses, they must be the only ones who are allowed to make decisions directly influencing the through-put processes in a company.

One can ask, what is the basis and need for a comparative study in this field? From a formal, structural point of view, most enterprises in the Polish economy are organized in the

same way as big corporations. The reason is, most probably, that as the early American organizational experiences were widely advertised all around the world, there were numerous attempts, not only in Poland, to learn from them². The last big economy reform in Poland, initiated in 1972 and never successfully completed, tried to introduce so called "Big Economic Organizations" that were an attempt to imitate the organizational pattern of American corporations. To explain it more fully, I present a simplified scheme of the structure of the Polish economy (p.6)

There are, of course, several modifications of a typical structure. Generally speaking, merchandising "corporations" are more uniformly organized than manufacturing ones. And whereas there are many associations of producers (manufacturing "corporations") there are only three centrals of domestic trade³.

What profits are to be gained from a comparative study? In my opinion, there are two kinds of possible benefits. Finding out possible differences and looking for their determinants can serve a practical purpose: it could help in solving dilemmas facing any management-system designer. What is, for instance, culturally determined and therefore hard to change but must be taken into consideration while creating a multi-national enterprise? What factors influencing effectiveness of a management system can be controlled?

Finding possible similarities is still more exciting, mostly from cognitive point of view. Are there some essential traits of management processes which remain stable in spite of cultural, economic and political differences? If they do exist, an attempt

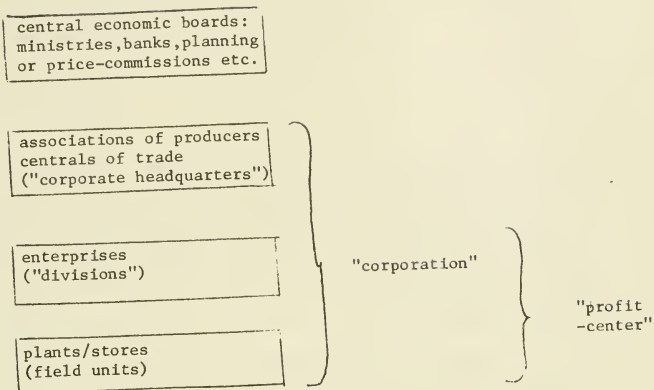


Fig.1. The organizational structure of the Polish economy.

to describe them would enrich a body of knowledge insofar as the nature of management, seen as a social influence rather than an impersonal "objective" process, is concerned.

2. Polish study.

As was said before, there are 3 centrals of domestic trade in Poland (I will call them "corporations" from now on) which supply the consumer market. There is a corporation, let us call it X, whose mission is to provide city consumers with food. It has its headquarters (general office) at one of the biggest cities, and 49 divisions in each of 49 regions. There is another corporation, Y, supplying the city consumer market with clothes, furniture and household appliances. There is still another one, Z, selling both food and consumer appliances, but operating only in rural areas. The headquarters of each corporation has to make general managers conform to a central plan. Yet GMs still have much autonomy in determining goals, objectives and strategies for their divisions. They are the main decision-makers⁴. They deal with production and sales, with workers and administrative personnel, with money. They do it with an aid of an adequate staff, but still they are able to influence directly the real through-put processes taking place in their divisions, which headquarters is unable to do. At the most, the headquarters can force GMs to repeat a decision made at headquarters (i.e. to make a choice that was already made a level above).

How is headquarters supposed to manage general managers?

Traditional economics offers a very simple answer. One must set up general goals (e.g. maximize your profit or maximize your sales volume), transmit them to GMs, monitor their performance in terms of goal-accomplishment, evaluate their performance, apply incentives. The main difficulties mentioned above, i.e. broad scope of responsibility and autonomy plus the indirectness of influence are met by what is called automatic links between different parts of management system: theoretically, if a division A gained more profits than division B, then automatically division A General Manager gets a bigger bonus for himself and a right to bigger capital funds for his organization.

Unfortunately -- and this is perhaps the next common point between capitalist and socialist economies -- just as there is no "perfect" competitive market, the same could be said about "perfect" functioning of central management system. Nothing goes as planned. A study done in 3 Polish corporations mentioned above (X,Y,Z) and then extended to some manufacturing firms revealed a completely different situation.

Before the empirical investigation started, I had to delineate more specifically my area of interest. I decided to treat central plan as given, and to assume that:

- headquarters has to build some expectations concerning the outputs of a corporative activity. These general expectations are probably differentiated onto expectations addressed to particular divisions;

- the expectations have to be transmitted to general managers;
- there must be some sort of evaluation process, concerning the degree to which the expectations are being fulfilled;
- there have to be some incentives related to expectations fulfillment,
- it is reasonable to look for the traces of these expectations in the motives of actual decisions made by GMs.

The last statement is based on the assumption that the actual shape of decisions and their results are influenced by many more factors than management influences only (resources, situational pressures etc.)

As it can be seen, I decided not to take a formal management system as a starting point. I know such a system exists, written down in various documents, regulations etc. Yet there is no proof that managers or headquarters have a full knowledge of that system, nor that they take it into account in their everyday activities -- assumptions that are taken for granted in most research in the field. Instead, I choose to have a look at management processes from a common sense point of view of a naive observer. If enterprise activity is consistent with the formal system, it will be very easy to notice.

Therefore I asked both headquarters representatives (corporate officers) and general managers what those expectations are, how they are transmitted, what the evaluation process is like and what incentives are used. I also asked both parties to choose (from among 4 presented alternatives) the best incentive system

that could be addressed to general managers. My third point of interest consisted in learning about the motives of actual decisions being made. Unfortunately, studying human motives is one of the most difficult task in social sciences. Looking for the best among unsatisfactory approaches I decided to ask general managers to describe a decision situation, where the decision was made in group process and during it a difference of opinions was strongly marked. Then I asked them to name their own motives as well as the motives of other persons (top managerial level of a division) involved in the situation.

A following figure (p.11) depicts the scope of my research interests.

* * *

These are the main results of the Polish study:

1. Central (economic) authorities are not the only source of influence. General managers are also managed by other authorities, such as local political authorities (party committees), state administrative authorities at local level, etc. As a result, expectations and demands with which GMs are confronted are numerous and often contradictory ("maximize your profit", "make your supply better than in other regions", "modernize your technology", "maximize your sales volume", "minimize your costs" an the like).

There is a pattern of contradictions among the expectations of central (economic) authorities and local (mostly political) authorities. The former seem to be oriented toward:long-run effects, process-control⁵ and country-wide cooperation (among "divisions",

RESEARCH QUESTIONS	RESPONDENTS
Expectations concerning the company (and General Manager's) activity	corporate officers general managers
Process of expectations transmission	corporate officers general managers
Evaluation of expectations fulfillment	corporate officers general managers
Rewards and punishments	corporate officers general managers
Motives for concrete decisions and actions	general managers
Opinions concerning alternative variants of an incentive system	corporate officers general managers

Fig. 2. A scope of research interests.

i.e. enterprises subordinated to the same central). The latter are oriented toward: short-run effects (sometimes extraordinarily so, as with the expectation of perfect supply in stores during a national holiday), output control (the most typical output measure is gross product and, sometimes, an index as simple as presence of certain goods in the closest grocery store) and competition (supply for the local market even at the expense of the others).

But expectations coming from the same source can be contradictory too, or if they are coherent, the number of expectations preclude fulfilling all of them. This leads to a strong role conflict perceived by managers.

2. The GMs' performance appraisal is equivocal (there are no precise criteria, as the overall performance of a company is heavily influenced by factors other than GM's performance). Yet in cases of severe difficulties, headquarters makes its negative appraisal very clear.

3. The formal reward system does not function at all. Bonuses are seen as a part of salary, and they could eventually operate as punishments, being withdrawn. Other incentives are seen as unattractive (e.g. letters of praise) or improbable (e.g. so called car coupons, which allow one to buy a very good car at low price). The punishment system is much more efficient. Among the unpleasant consequences of poor performance that are perceived as very acute, the face-to-face "personal" conversations were mentioned. But the most severe punishment is removal from a managerial post.

4. None of the presented alternatives of the incentive system was seen as preferable to others. The effectiveness of any variant is determined, in the respondents' opinions, by the processes and factors external to the management system, the most important being a selection system.

However, the situation described above is perceived as such by GMs themselves. Their bosses at headquarters are much more prone to believe that the "automatic" management system, with a few exceptions perhaps, is actually performed. These are the main differences:

corporate officers' perspective

automatic management process

profit & growth orientation

efficient communication

many rewards

objective performance appraisal

effective feedback

general managers' perspective

ad hoc control

personal motives orientation

inefficient communication

few rewards

no overt performance appraisal;
obvious errors being exceptions

feedback upwards falsified
because of unrealistic
information demands

Some explanation of why the feedback upwards is falsified might be necessary. Let us say an enterprise is expected to report its sales volume every month. According to enterprise managers, the best date to prepare such a report is the 30th or 31st of each month. However, central authorities want this information on the 27th, because it will facilitate any needed reaction in case something

goes wrong. Therefore, the end of the month figures have to be estimated with sales forecast. However, the situation is not so simple. The local administrative authorities want to be first to receive the figures so they demand the information to be ready by the 25th. Finally, the local political authorities want to be ahead of all receivers, so they require the report on the 23rd. The combination of this absurd competition and unsophisticated data processing techniques (computers are still not in the great use) encourages inadequate information, apart from the deliberate efforts to lie in the name of the enterprise's interests. This gives birth to what I have called "a boomerang effect". Because the firm's performance is exaggerated in the reports, expectations for the next period are unrealistically set. Consequently in the next period the enterprise is confronted with unattainable expectations, and the gap between expectations and performance widens. The boomerang hits the thrower.

Out of these results two questions arise. If GMs are confronted with contradictory expectations, they must choose between them. What expectations do they choose? What are the rules of choice?

We can exclude a rule based on meeting the expectations because of rewards related to them - there are practically no rewards contingent on performance. There are two other possible rules: avoiding the punishment or approaching some standard of performance. In fact, both of them seem to operate, as I

shall try to prove later on.

Let us first focus on the latter. The analysis of decision motives demonstrated some interesting kinds of such standards.

These are:

1. "Modern manager" type: an efficient, competent, well-organized manager (a stress is put rather on a way the job is performed than on effects).
2. "Commercial man" type: strong vocational interests, orientation towards consumers' problems. There are two subtypes:
 - "merchant" (to buy and sell as much as possible), and
 - "entrepreneur" (to buy an amount that is possible to sell, to gain profits, to take moderate risks).
3. "Master of the firm" type: a strong feeling of specific professional dignity; a tendency to take up the important duties but to fight for own rights as well, to be independent from bureaucratic authorities.
4. "Nourisher" type: a specific attitude towards consumer, who is to be treated benevolently and with care, yet in a manner that stresses his dependence.

Hence, a person who is directed by his or her own standards would tend to choose and meet those expectations which are congruent with his/her ideal role standard. One can speculate whether this rule of choice is a personal trait or changes across situations, but such an approach, however interesting in itself, will keep us on the individual level of analysis. Let us pass over it and consider another rule of choice.

The "punishment avoidance" rule provides an easy basis to predict which of contradicting expectations will be chosen. The last say in appointing and firing general managers lies in the domain of local political authorities⁶. So in cases where the political authorities' expectations are in opposition to what is expected by a general office, and where they are perceived as serious or important enough to threaten somebody's position by not conforming to them, general managers would tend to choose actions fulfilling demands of the political authorities.

Now, performance is not related to any attractive rewards or severe punishments, but dismissal from a managerial post is the most severe punishment. Why do the people, who are not members of a military or other coercion-based organization insist on remaining there? What is so attractive in being a general manager?

The most convincing answer is that being in the role is itself a source of rewards, and that these rewards are largely independent of the formal incentive system. High salary (bonuses included) is a reward which depends not on performance, but on remaining within the system. Other reward is power: influence, prestige, special privileges. Obviously these rewards are interdependent: more influence means more privileges and so on.

Let us examine the notion of power more in depth. It seems useful to differentiate it into two separate concepts: vertical power and horizontal power. Vertical power could be seen in an increase of influence, prestige and privileges at the subsequent hierarchy levels. This is the traditional meaning

of the word. Horizontal power is influence, prestige and privileges resulting from being a member of a specific "power circle" -- composed of local GMs and their counterparts in other institutions, who pay themselves certain services and therefore mutually depend on each other. The increase in horizontal power means, above all, the increase of influence one can exert outside the organization, both in spheres pertaining to the company activities and in quite private affairs, like access to scarce goods and services, sometimes at the verge of legality.

The increase in vertical power is not equal to the increase in horizontal power. On the contrary, some types of promotion threaten horizontal power, breaking the individual out from the "power circle" where he or she belonged. There are certain hierarchy levels that accumulate a significant amount of horizontal power and there are others that do not. The only attractive promotion is the one that allows a person to step into the next "horizontal power circle" which is far from the next hierarchy level. For a general manager of a division such a next step would be as far as the president or senior vice-president of the "corporation". As there are 49 divisions in the whole country, a likelihood of such a promotion for each of 49 general managers is not really high. Whereas the most probable promotions, as to a directorial position in some of the headquarters' departments, lack the desired horizontal power.

To sum up: the incoherence of expectations results in lesser importance of formal management system and in greater importance of an individual who is the interpreter and transformer of those. Which is, of course, in straight opposition to the general assumptions concerning the management system, which is seen -- both by theoreticians and by its designers -- as an impersonal set of principles and tools designed to control the economic activity of those who really run businesses. Instead of conforming to those principles and reacting to those tools, general managers make an effort not to fall out of their horizontal power circles by avoiding actions that could threaten their positions. In choosing among actions that are indifferent to remaining in their managerial positions they pursue their own ideals and standards.

My respondents were fully aware of the situation: that is why in their opinions effectiveness of various incentive systems depends mostly on competences and qualifications of individuals to whom they are addressed. One is compelled to agree with that line of reasoning; if the incoherence of expectations and the lack of rewards enhance the central role of an individual and his way of interpreting reality, the main determinant of company activity is that individual's competence and not the quality of the management system.

The practice, as it often happens, questions the theoretical assumptions that started it. From a belief in effectiveness of impersonal economic systems we come to a conclusion that what really counts is a quality of an individual operating within that system.

3. Some general reflections on the Polish data.

The picture presented above is an obvious case of mismanagement. Is the mismanagement due to ill will or to lack of competence? In my opinion, neither provide an adequate explanation, rather one should look for answers at the macro level.

John W. Meyer in his paper on centralization⁷ states that the impact of centralization depends on the nature of organizational domain. In a technical domain, centralization can be effective only if control is based on assessment of actual output. In institutional domains, of which educational systems are good examples, centralized control is only a definition of legitimate categories of activity. Although the domain of the organizations under study is undoubtedly technical, their characteristics clearly resemble organizations in an institutional domain, at least as Meyer describes them:

" This general property of educational systems is sometimes called "loose coupling" - the tendency of educational organizations to disconnect policies from outcomes, means from ends, and structures or rules from actual activity... Educational organizations can be centralized around rule systems that are unimplemented, or would be disastrous or inconsistent if implemented. This occurs in technical organizational domains too, but it is much more likely to create difficulties in the actual work processes or outputs that are brought under organizational control" (p.6).

The latter situation is actually the case for the Polish enterprises. But why should an organization within the technical

domain act as one in the institutional domain? The latter do not control the properties of their output because it is almost impossible to measure them. For example how might an university measure actual students' achievements? But there are ways to measure properties of concrete products and services. If they are not measured, it is because there is no need to do so. A producer-dominated economy creates so called "easy market" -- in situation of constant shortages consumers will buy anything, regardless of quality.

Hence the first macroeconomic reason for mismanagement is that an economic disequilibrium in which producers dominate consumers does not require effective central control over outputs. The consequences of lack of control are quite well described in Meyer's further discussion of educational systems:

" This kind of organization tends to be closely linked to the environment, for the environmental social and authority system is the source of the legitimacy and resources required for organizational action -- and not through market processes involving output inspection, but through direct dependence relationships. School and district administrators must be on good terms with their political and institutional constituencies: output issues are much less critical." (p.7).

This brings us to a second reason for ineffective central control: multiple sources of authority which inevitably produce contradictory expectations and requests. One thing should be clearly stated, though. This is not the case of usurpation.

In every enterprise's statute it is said that state local administration and party local committees have rights to exert control over enterprise activity. This was intended as a check-up against potential ill effects of centralization. Hence, if there is anything surprising about political intervention, it is the economists' persistence in pretending they do not know that political interventions are included into the formal management system and treat them as unsystematic intrusions from outside.

The third issue is related to reward system. Why are rewards unattractive to managers? First, since most rewards are monetary and since the value of zloty has been systematically declining over the last few years, money has lost much of its motivating power. Secondly, because managers as consumers suffer from the same shortages as do other consumers, even if the salaries were to rise at rate which overcome inflation, they would be still unable to purchase desired goods. No wonder an access to scarce goods is much more attractive than any bonus that could be offered within formal reward system.

These 3 characteristics of the Polish economy should be kept in mind when differences between Polish and American management systems are discussed. None of the above conditions is true for the American economy.

4. American study: the emerging results

In any comparative study, a first step should consist in finding organizations similar enough and at the same time different, to avoid uncomparability and to allow generalizations. The dissimilarities I accept concern:

- type of ownership (there are private and state-owned enterprises in the U.S., whereas in Poland enterprises are mostly society-owned),
- type of market (Polish producer-dominated versus American consumer-dominated).

Instead, I would look for similarities in structural (organizational) pattern and type of business involved. Hence, I plan to focus on:

- multidivisional type of organizations,
- companies acting at the consumer market (merchandising, manufacturing or service companies). My respondents would be general managers and their corporate superiors, as indicated by GMs themselves.

All this will aim at describing the process of managing general managers as perceived by both those who manage and those who are managed.

My first attempt was aimed at gaining a general familiarity with the life of American corporations. Therefore I decided, instead of studying some organizations in depth, to start with interviewing people coming from different companies. I also extended the scope of investigations by including:

- some respondents from smaller companies (and not big corporations),
- some respondents from companies whose domains were different than described above,
- some respondents coming from a level below general managers (with a title of Divisional Manager or a Functional Manager).

Such an extension should help in delineating the limits of possible generalizations. Till now, I have conducted 10 interviews. The study is not aimed at achieving any sort of statistical representativeness. However, the data collected seem to fit into certain patterns, which I shall try to describe. It must be noted, though, that a dominating perspective is a managers' and not corporate officers' one (only two of those interviewed were in corporate officer positions).

The data concerning expectations, their transmission and performance appraisal seem to fit into 3 patterns, which I call respectively A, B and C.

Pattern A.

The main expectation set by corporate officers for their subordinates is one of autonomy and initiative. "The basic orientation is that we run our businesses" one of the respondents said.

The objectives are set by general managers themselves, based on information collected both from above (general preferences, trends, directions of expansion) and from below (their own companies' aspirations and resources). They are subsequently submitted to an evaluation by top corporate

officers. As it seems, the main concern of the latter is to create conditions facilitating the achievement of objectives, and their main duty is to advise and guide. In case of conflicting interests (i.e. GMs putting on conflicting requests) a conflict is to be solved by negotiation processes, taking place first at the level where it arose (managers among themselves) then, if unsolved, the corporate levels will enter into negotiations.

The large amount of autonomy and negotiations going on is due to what can be called a "forced delegation" -- rapidly changing environment, strong competition and generally untraditional domain of activity do not allow too strict a control. It starts from the very beginning: people are given plenty of freedom in defining their jobs⁸.

The results are measured through a very formal system, which is finance- and innovation-oriented. This also constitutes a basis for a formal appraisal, which is very easy to deduce from one's accomplishments. However, there is a constant feedback coming all the way along from an immediate superior. It mostly concerns the way in which things are being done and also some unmeasurable and informal results of actions undertaken, e.g. their impact on interpersonal relations etc. Communication is dense and easy to obtain, both through formal and informal channels.

Two other sources of feedback are: customers and peers in the company (the latter are a source of indirect feedback, in a sense that a capacity to influence them is an indicator of good performance).

Formal rewards are directly if not automatically connected to performance and tend to be differentiated in relation to various aspects of performance.

Pattern B.

The expectations are unknown to a manager: in performing his job he must rely on his own experience with the job and on guesses concerning his superior's wishes. Guessing is necessary, because even if the expectations are not being transmitted, they do exist. As a matter of fact, what seems characteristic of this pattern is that the expectations are more detailed and far-reaching, if implicit. A typical boss is very concerned not only with the results of his subordinate manager's work, but with his style as well, if not above all. A manager's duty is to guess accurately his superior's expectations and to conform to them without being told to do so. There are also cases of purposeful exclusion from information. As one of the respondents says, the idea of his boss was to "keep information away from you, unless you absolutely need, in his judgement, to know."

The performance appraisal is very scarce and mostly limited to the once-a-year formal process. During the year it could only be read from indirect cues (body language was mentioned) if at all. One of the reasons for it is that corporate officer - manager contacts are very rare, in fact superiors seem to avoid their subordinates. This can be very frustrating: "I was concerned that I was not getting into other responsibilities because of something that was not going right, but yet I

couldn't find that out."

The rewards are not very strictly related to performance level: I have been told about a situation where a year of a particularly poor performance was rewarded with the highest salary increase ever.

It remains to be seen whether this is a peculiar, individual pattern related to a given person's style of leadership, or whether this is actually a certain pattern in managing top level managers. It can be a specific subordinate's orientation, too. Respondents describing pattern "A" noticed that some people would feel very insecure not getting enough guidance. It is hard to determine where the border between "autonomy" and "neglect" lies.

Persons who describe such a pattern come from different companies, but they share two characteristics: their jobs are those of specialists rather than generalists (they are functional managers and not general managers). The other common characteristic of their jobs is that the tasks performed by them are in general unquantifiable.

Pattern C.

Expectations are very clear and are directly communicated. In the first place, managers get general guidelines for the corporation as a whole and for their units as well. They cover the period of forthcoming year within a broader 5 year plan. "The corporation has goals and any given year we have six or seven major objectives and these six or seven objectives

are practical implementation of a long term, five year strategic plan."

Based on those and the knowledge of their own units' resources, managers set a list of objectives to be met during the next year. There may be as many as 15 "key" objectives and 30 "supportive" ones. The objectives tend to be very detailed and, if possible, put in numerical terms. They are written down in a fairly formalized way. "Hard" objectives are put in numbers, whereas "soft" are explained at more length. There is a tendency to put as many objectives into a quantitative form as possible. For example, a goal of observing equal employment rights may be operationalized as a percentage of black and female employees. The most typical unquantifiable objectives are: services to the community and subordinates' development.

The proposals are then evaluated by corporate officers and in case their level was found unsatisfactory, a certain amount of negotiations takes place before they are officially approved. In case the result of negotiations is not quite satisfactory for a manager, he might add some reservations to the final list of objectives ("I don't think it will be possible") to use it as a justification at the end of the year. However, the respondents exclude the possibility it might serve as an excuse not to try hard enough. The reason is simply that units compete with each other, and performance below a certain level, even if justified, is undesirable for anybody concerned. As a matter of fact, the opposite phenomenon occurs: "stretch objectives"

are set up. "I would meet with my boss and he would say: I want you to have a service level at 98%... And I, in turn, would say: I think I can do 99%, and he would say: O.K., we'll put you down for 98 officially and 99 unofficially and we'll pull it out at the end of the year and see how well you did."

Emergency interventions happen during the year, and changes in the plans are introduced. If a necessity of change arises at a lower level, there will be more negotiations than if it arises at the corporate level.

Whereas appraisal criteria are clear (one of the respondents said he could write down his own appraisal at the end of the year) it does not mean superiors openly communicate their evaluation of managers' performance. If, however, something goes wrong, the corporate officers' reaction is immediate and very outspoken.

There is a distinct attempt to relate performance through its appraisal to rewards, not completely successful. Fairly elaborate systems are designed, with different amount of subjectivity involved. As an interesting example a ranking system might be used, where the corporate officers present the accomplishments of their subordinates to agree then on joint ranking. Both salary raises and ranking results are kept secret as a rule.

In case objectives are not being met, the detailed explanation of circumstances is required.

It can be said that a notion of autonomy within the "C" pattern is, as one of the respondents has put it: "...autonomy

in implementing the jobs under existing rules." What is common for all respondents is that they come from well-established companies, with long traditions and operating in fairly stable markets.

Needless to say, the "C" pattern is what could be described as a desired functioning of a central management system in Polish economy (if the theoreticians and designers' perspective would be adopted).

The opinions concerning incentives seem to be fairly consistent across the patterns, so I decided to discuss them jointly.

REWARDS	PUNISHMENTS
stock options	salary freeze
salary increases	lack of extra rewards
bonuses	
profit shares	
promotion	demotion
recognition	removal from a company
increase in influence	decrease in influence
satisfaction	pressures

Fig. 3. Rewards and punishments

The classification adopted is somewhat arbitrary. For instance, salary increases may be seen as signs of recognition, especially when publicized. Anyway, among the financial incentives the stock options are perceived as the most important. They tie a person to the company, making identification stronger.

If unfairly distributed, may cause a strong feelings of frustration: "The ... (corporate officer) made a lot of very obscure people very wealthy: he essentially gave good stock options to someone he met and liked in the elevator."

Actual salary decreases do not happen, but salary can be frozen for some period of time and, as respondents say, "inflation does the rest."

The nonfinancial rewards and punishments are quite sophisticated. A promotion is highly valued, but how can all those people be promoted if there are so few top positions available? A more thorough investigation revealed that it is not exactly an actual promotion, but a potential one. "Promotability" is a desired state. ("If I were told I have reached my ultimate level in the business, I would quit.") However, the prolonged "promotability" with no actual effects can be frustrating too, so it is helped by transferring people to jobs at the same hierarchy level, but with greater responsibility.

By the same token, a demotion is highly undesirable. Actual demotion does not happen very often: there are jobs with less responsibility, and if not, a person can be asked to quit rather than be demoted. "You probably would not want to have someone there who had been demoted, pushed down in the organization again. Hopefully, when you bring them up to begin with, they are of sufficient caliber that that won't happen " (corporate officer's opinion). As it seems, it would be not only a punishment,

but a discredit of the corporate selection strategy as well. But there are other changes that are clearly seen as demotions, like "removing someone out of the mainstream" or putting someone from line to staff position. And it is severe. As one of the respondents says: "It has always puzzled me as to why the three who didn't get promoted feel better than the guy that got promoted and got demoted".

The recognition is attractive, too, and it takes many forms: from "pat on the back" through opportunities to represent (within and outside the organization) to development courses.

One of the totally informal rewards/punishments is change in influence one is able to exert within the organization. With an outstanding performance the influence increases both up the line (one can request more) and down the line (things get done more easily). Poor performance decreases influence: it is much harder to do anything.

Last but not least is the pressure exerted on poor performers: "...it is very stressful to people to do poorly".

To get more insight into motives of actual decisions being made and actions undertaken I also asked my respondents to describe some conflicting situations, as I did in the Polish study. I must admit my failure. There seems to exist one motive only, as perceived by respondents: to do one's best in terms of achieving company goals. One interesting observation may be made, though: whereas the majority of "conflicting situation" described by Polish respondents concerned changes

in organizational structure, American managers tended to cite new product development as an example of conflict generating situations.

5. Some tentative comparisons and observations.

Trying to introduce some, perhaps premature order into observations on data collected till now, I decided to put them in the following simplified form (Fig.4 and 5).

EMERGING RESULTS (AS COMPARED TO POLISH STUDY)	POSSIBLE DETERMINANTS
1. No explicit evaluation in cases of good and/or excellent performance; very explicit evaluation in cases of bad/poor performance	Belief that "too many praises spoil a child"
2. Rather loose connection between performance level and rewards	Too complicated a job to set simple evaluation criteria

Fig.4. Similarities

EMERGING RESULTS (AS COMPARED TO POLISH STUDY)	POSSIBLE DETERMINANTS
1. Great stress put on selection and individual motivation; the mechanism described seems to work as follows: - find an adequate person, - give him/her autonomy, - trust him/her, - wait for excellent results.	Cultural (individualism)
2. Intuitive selection criteria	Disbelief in selection techniques (too complicated a job to set simple selection criteria)
3. Business orientation (as opposed to orientation towards personal goals)	Business achievements instrumental for personal goals
4. Belief in shared goals (everybody else tries to do what he/she believes is good for business)	As above, plus competition
5. Formal rewards highly gratifying	As above, plus purchasing power of money

Fig. 5. Differences (phenomena not represented in the Polish study)

The second similarity and the third and fourth differences seem rather obvious and need not be explained. As far as the second difference is concerned, in my opinion Polish confidence in selection techniques comes from relative lack of experience (managers are appointed by political authorities and they still maintain faith in the efficacy of intelligence tests. The difference is in beliefs, not in the actual practice: in both countries (in Poland perhaps even more frequently) selection is based on intuitive criteria.

I would like to speculate somewhat further: on both points No.1 and then on the fifth difference.

The phenomenon of disproportion between positive and negative feedback seems to be fairly universal. The explanation I put in the table is the same I used in the Polish study. To put it in more elegant way, it seems to be based on an all-pervasive philosophy concerning the use of feedback information. Its role is perceived as essentially corrective, i.e. deviation removing. A function of positive feedback tends to be seen as rewarding rather than reinforcing, i.e. even if it is commonly admitted that positive feedback is pleasant to a person to whom it has been addressed, there is a tendency to forget about its corrective function.

What is the reason for it? Apart from well known psychological tendency to use punishments rather than rewards (higher satiation threshold) a cultural explanation can be introduced, derived from educational principles of Christian culture. It would be not the first time when educational principles were transferred into

a field of management. But certainly it is not the only possible explanation.

One of the respondents offered an alternative while saying: "I'm afraid that's the way business is becoming. It's becoming much more negative oriented than it is positive, at least in terms of people. Just by spans of control, as things get tighter, economically (...) and you throw increasing technological complexities on top of it, faster rate of change, organizational realignments and things like that, the job just gets to the point where you don't have time to handle all the positive stuff."

I must admit I feel skeptical about it, mostly because the times when business was generally benevolent towards people probably never existed. One can argue that there are some cycles, economic in the first place and theoretical in the second (like shifting from scientific management to human relations theory), but it would be hard to prove that Polish and American companies are in the same cycle. Or maybe the causes of the same phenomenon are actually different in both countries. I am afraid I cannot offer any conclusive explanation, which does not make the problem any less interesting.

Still more fascinating is the personnel philosophy described as the first difference. One feels compelled to look for famous American individualism behind it, but some doubts come as afterthoughts. A main one is of a very broad nature and concerns the status of cultural values as such. Are they part of tradition, a component of a self-image every nation is eager to protect, however obsolete it could be, out of sentimental attitude towards

its own past? In other words, do the cultural values have a causative power, or are they only myths, rationalizations, having nothing to do with an organizational reality? This sort of doubts arises, obviously, from contrasting pattern "C", which seems to be quite representative for traditional business, with beliefs explicitly expressed by the same respondents, which fit much better into pattern "A".

While discussing the Polish results, I described what could be called a "Polish paradox" - attempts to design and to put in use an impersonal, objective system of management end up in a situation where individuals operating within that system decide its effectiveness. Is the opposite true of the American system, i.e. is it correct to conclude that a strong social belief in the virtue of individuality leads to the creation of impersonal, highly quantitative system of rules that seems to effectively determine company outputs? It is certainly worth to be studied more in depth. For the time being it might be interesting to quote a comment made by one of my respondents on the last issue:

"From my perspective, these two statements [strong social belief in the virtue of individuality vs. impersonal, highly quantitative system] are too extreme. On the individuality issue, I feel individual needs are often compromised to that of the corporation - at least temporarily. As the corporation succeeds, so then does the individual. Therefore, while I may have to suppress some of the rugged individualism, in the long run, I will receive satisfaction".

Which is exactly the philosophy underlying Polish management system, only that corporations never succeed and the time of satisfaction is pushed further and further.

The above comment is also useful in discussing the fifth difference, which concerns effectiveness of reward systems. Although there is a very distinct difference in effects of formal rewards, I do not think Polish managers are motivated by factors different from those which stimulate American managers. Internal satisfaction from accomplishments is common for both groups, even if the definition of accomplishment is different. Personal effectiveness increases influence in both cases; except that, in Poland, the influence is exerted outside the company while in America, influence is internal to the organization. Moreover, in both cases the attractiveness of monetary rewards is highly contingent on their purchasing power. What is strongly needed in the Polish situation, is channeling rewards into a formal system or, in other words, making personal goals compatible with those of company.

FOOTNOTES

- 1/ The most typical examples could be perhaps: H. Mintzberg, The Manager at Work, (Ph.D. thesis, M.I.T., 1968) and John P. Kotter, The General Manager (in press).
- 2/ While studying the successive economy reforms in Poland from the point of view of changes in organizational structure, one can easily trace the reflections of American organizational developments: Groups and Zones, cyclical centralization and decentralization trends and many other concepts and phenomena known in the history of American corporations (see: A.D. Chandler, Strategy and Structure, MIT Press, Cambridge, MA, 1972)
- 3/ Centrals of trade and associations of enterprises can be compared to corporate headquarters in market economies: if we assume this, merchandising enterprises can be seen as regional divisions of a given central of trade and manufacturing enterprises as functional and/or regional divisions of a given association of enterprises. In further discussion they will be most often referred to as central (economic) authorities as opposed to local (political and administrative) authorities.
- 4/ It is very easy to question this statement, both in socialist and capitalist economies. One can say that general offices decide the policy matters, leaving room for GMs to choose strategies and tactics to implement already determined goals. In my opinion, both general offices and GMs set goals (there is or at least should be a constant feedback process going on, involving some negotiations) and one of the difficulties is in achieving a consistency among them.

- 5/ This is based on Ouchi's distinction between behavior control and output control. (William G.Ouchi, The relationship between organizational structure and organizational control, Administrative Studies Quarterly, March 1977, vol.22, 1, pp.95-113)
- 6/ Their power to nominate top managers (famous "nomenklatura" Solidarity tried to fight) is an expression of the "ruling role of the party".
- 7/ John W.Meyer, The impact of the centralization of educational funding and control on state and local organizational governance, Stanford University School of Education, Program Report No.79-B20, August 1979.
- 8/ The respondents from a rather traditional company, who all describe pattern "C" seem to think that because of change in their company environment (market conditions) their company will be moving towards the "A" pattern.

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